

Module 10: Grid Trading Strategies

There are many grid strategies around. Many traders regard not liquidating losses as a form of grid trading. Many traders never liquidate their holdings when positive and just leave open transactions. .

Our philosophy is to reduce risk as much as possible and to let the natural wave movement of the market provide grid trading opportunities. The market in general waves sideways or trends upwards or downwards in waves. It is only 10% of the time that the market will go into a 600 pip trend without a retracement. We are happy to take our losses in that case as we know they will be made up in the 90% time that the market trends.

Below are some variation of the Grid trading process discussed so far:

The standard grid system

This system uses standard grid gaps of say 100 pips and cashes in when positive. The system works well is a sideways market and is reliant on a bigger than normal grid size to succeed. The system continues trading until the total of all the open grid transactions is positive. The grid setup will look like this:-

Click to enlarge

{gallery}01/GridS{/gallery}

The flexible grid size system

This system uses the technique that changes the size of the BUY and SELL grid gaps. What this achieves is gridline in the direction of a trend are more difficult to reach.

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The flexible Lot size system

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This system changes the size of the BUY and SELL Lots. What this achieves is that more lots are cashed in the direction of a trend.

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{gallery}01/GridFL{/gallery}

The flexible Lot and Grid size system

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This system changes the size of the BUY and SELL Lots as well as the Grid sizes. What this achieves is that more lots are cashed in the direction of a trend but that grid lines are more difficult to reach.

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The multiple grid system

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When a grid system has been trading successfully for awhile there is the question whether to just increase the lot sizes (say from 1 to 2) in order to increase gains from the system – this is an option.

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The other option is to create another grid system but to overlay it onto the existing system so that the starting point is in the middle of the existing systems grid gaps.

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For example: if the existing system has a 200 pip grid gap and it started at a price level of 2.0000 the BUY target would be 2.0200 and the SELL target would be 1.9800. The new (second Grid) would start at 2.0100, which is midway between the start and target of the existing grid system.

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The advantage of this approach is that you are adding a grid system with the same risk profile but it allows you to cash in at different points. You have doubled your cash in points without doubling your risk.

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SUMMARY ON GRID TRADING TECHNIQUES

In general the Flexible lots size system has been the most popular amongst individual traders. Our grid trading alert services use a hybrid the standard and flexible lot system very successfully.

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QUESTIONS OR COMMENTS REGARDING THIS MODULE

Please Email us with any comment or questions you may have regarding this module of the Grid Trading Course by clicking [here](#)> Questions and comments

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